

## Message Text

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E.O. 11652: GDS

TAGS: PFOR, CZ, HU, BU

SLBJCT: POLICY ASSESSMENT FOR HUNGARY, BULGARIA, AND  
CZECHOSLOVAKIA: COMMON THEMES.

REF: PRAGUE 241, SOFIA 482, BUDAPEST 280

1. AN INTERAGENCY GROUP HAS MET TO REVIEW THE ANNUAL  
POLICY ASSESSMENTS FOR HUNGARY, BULGARIA AND CZECHOSLOVAKIA.  
THE EMBASSIES' SUBMISSIONS PROVIDED AN EXCELLENT BACKGROUND  
FOR THE DISCUSSION, AND POSTS ARE COMMENDED FOR THE  
THOROUGHNESS OF THEIR ANALYSES AND RECOMMENDATIONS. THIS  
CABLE WILL COVER THE DISCUSSION OF GENERAL THEMES RELEVANT  
TO ALL THREE COUNTRIES. SEPARATE MESSAGES WILL SHORTLY BE  
SENT TO EACH POST RESPONDING SPECIFICALLY TO THE ITEMS  
ADDRESSED BY EACH POLICY ASSESSMENT MESSAGE.

2. THE MEETING BROACHED THREE MAIN AREAS WHICH, FROM THE  
WASHINGTON PERSPECTIVE, ARE KEY TO OUR POLICY TOWARDS  
THESE COUNTRIES: MFN, US POLICY TOWARDS EASTERN EUROPE  
(SPECIFICALLY THE POLICY OF RANKING COUNTRIES), AND THE  
QUESTION OF CONTACTS AND EXCHANGES. PARTICIPATION BY  
AMBASSADOR HERZ IN THE MEETING PROVIDED AN INVALUABLE  
FIRSTHAND ANALYSIS AND CRITIQUE OF THE ISSUES.

3. MFN: ALTHOUGH KEY CONGRESSIONAL LEADERS MAY BE  
WILLING TO TAKE A NEW LOOK AT TITLE IV AND TO REEXAMINE  
THE EXPLICIT LINK BETWEEN MFN AND EMIGRATION, NO ONE IN  
CONGRESS SEEMS WILLING TO CARRY THE BALL ON THE PROBLEM  
AT THIS TIME. THUS, WE CANNOT EXPECT ACTION ON THE TRADE  
ACT BEFORE NEXT YEAR. THE GENERAL CONSENSUS OF THE  
MEETING WAS THAT TO A LARGE EXTENT THE PROSPECTS FOR  
EVENTUAL NORMALIZATION OF TRADE RELATIONS HAVE ENCOURAGED  
THE THREE COUNTRIES TO TAKE A MORE POSITIVE ATTITUDE  
TOWARDS IMPROVING TIES WITH US. THEIR FIVE-YEAR PLANS ARE  
SUFFICIENTLY FLEXIBLE TO PERMIT THEM TO ADJUST TO THE  
INCREASED ECONOMIC ACTIVITY THAT MIGHT ACCOMPANY THE  
GRANTING OF MFN, AND IT APPEARS THAT ALL THREE HOPE THAT  
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TRADE NORMALIZATION CAN OCCUR REASONABLY SOON. THE NEWLY-  
CREATED JOINT ECONOMIC COUNCILS NOT ONLY PROVIDE FORUMS  
IN WHICH BUSINESS LEADERS AND TRADE OFFICIALS CAN DISCUSS  
FUTURE TRADE PROSPECTS, BUT ALSO EXEMPLIFY THE ANTICIPATION  
OF HUNGARIAN, BULGARIAN AND CZECHOSLOVAK OFFICIALS AND  
THE US BUSINESS COMMUNITY THAT MFN WILL BE EXTENDED IN DUE  
COURSE. FACTORS SUCH AS THE US AND WORLD ECONOMIC  
SITUATION, HARD CURRENCY DEFICITS AND THE INTERNAL

POLITICAL IMPLICATIONS OF A LARGE PROPORTION TOTAL TRADE WITH THE FRG WERE RECOGNIZED AS PLAYING AN IMPORTANT ROLE FOR EACH COUNTRY (ALTHOUGH LESS SO FOR BULGARIA) IN DETERMINING HOW RAPIDLY AND TO WHAT EXTENT THE GRANTING OF MFN WOULD RESULT IN INCREASED BILATERAL TRADE.

4. THE MEETING ALSO ADDRESSED THE QUESTION OF HOW BILATERAL TRADE WOULD BE AFFECTED IF THE THREE COUNTRIES PERCEIVED THAT MFN PROSPECTS IN THE NEAR TERM WERE NOT GOOD. WOULD THEY BE AS FORTHCOMING IN BILATERAL RELATIONS AS THEY ARE NOW? THE CONSENSUS WAS THAT THEY WOULD NOT, ALTHOUGH IT WAS NOTED THAT HUNGARIAN, BULGARIAN AND CZECHOSLOVAK WILLINGNESS TO MOVE AHEAD WITH THE US IS ULTIMATELY DEPENDENT UPON SOVIET ASSENT AS WELL AS THE CLIMATE PREVAILING IN THE US-SOVIET RELATIONSHIP. IF MOSCOW OPTED FOR IMPROVED RELATIONS WITH THE US DESPITE DIM PROSPECTS FOR MFN, THEN WE COULD EXPECT CONTINUED SMALL IMPROVEMENT, OR AT LEAST A HOLDING PATTERN IN OUR RELATIONS WITH THE THREE. MANY OBSERVERS AT THE MEETING FELT, HOWEVER, THAT THERE ARE REASONABLY GOOD PROSPECTS FOR IRONING OUT TRADE ACT DIFFICULTIES IN THE NEAR FUTURE (12 TO 18 MONTHS), AND THAT AT THIS TIME ECONOMIC RELATIONS WITH THE THREE ARE OUR PRIMARY MEANS OF INCREASING US INFLUENCE ON THE COURSE OF EVENTS IN THESE COUNTRIES.

5. RANKING COUNTRIES: THE PARTICIPANTS DEBATED THE PROS AND CONS OF RANKING EE COUNTRIES. ON THE MINUS SIDE, IT WAS NOTED THAT RANKING CAN HAVE THE UNFORTUNATE EFFECT

OF REDUCING THE "CAMOUFLAGE" NEEDED BY EE COUNTRIES WITH WHICH WE HAVE MORE ACTIVE BILATERAL RELATIONS. THE POSITIONS OF ROMANIA AND POLAND ON THE "PECKING ORDER" IS OBVIOUS TO THE SOVIETS AND PLACES THOSE COUNTRIES  
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MORE IN THE LIMELIGHT THAN THEY WOULD WISH TO BE. MOREOVER, IT WAS ARGUED THAT RANKING DOES NOT PERMIT SUFFICIENT FLEXIBILITY ON OUR PART TO REACT TO POTENTIALLY ADVANTAGEOUS SITUATIONS. TO MOVE AS FAR AND AS FAST WITH EACH EE COUNTRY AS WE JUDGE IT TO BE IN OUR INTERESTS COULD INCREASE OUR PRESENCE AND LEVERAGE ON EACH COUNTRY'S POLICIES.  
- -

6. IN CONTRAST TO ARGUMENTS FOR GOING AS FAR AS POSSIBLE, WITHIN OUR INTERESTS, WITH EACH EE COUNTRY THE QUESTION WAS RAISED AS TO WHY WE SHOULD PUSH AHEAD IN OUR RELATIONS WITH BULGARIA, FOR EXAMPLE, WHEN THAT COUNTRY REPRESENTS FOR THE SOVIETS AN "IDEAL TYPE" WHICH MOSCOW WOULD HOPE TO SEE ALL OVER EASTERN EUROPE. MIGHT NOT MOVING AHEAD WITH THE BULGARIANS INDICATE TO OTHER EES

THAT BULGARIAN-STYLE ADHERENCE TO SOVIET DESIDERATA NEED NOT BE AN IMPEDIMENT TO IMPROVED RELATIONS WITH THE US? IF WE WERE TO ABANDON SEQUENCING OF EE COUNTRIES, IN OTHER WORDS, IT COULD UNDERMINE OUR DESIRE TO PROCEED WITH A CARROT AND STICK APPROACH AND WOULD MAKE EVEN LESS CLEAR TO EES, THE REST OF THE WORLD AND THE US PUBLIC, WHAT IT IS WE SEEK IN TERMS OF BEHAVIOR ON THE PART OF EE GOVERNMENTS.

7. COMMENT: U.S. POLICY REMAINS THAT OF PROCEEDING WITH EE COUNTRIES SEQUENTIALLY, BUT WE CAN EXAMINE SPECIFIC INSTANCES WHEN BEHAVIOR OF A PARTICULAR COUNTRY MIGHT SUGGEST THE UTILITY OF OUR MOVING FASTER OR SLOWER PACE IN IMPROVING BILATERAL RELATIONS. END COMMENT.

8. CONTACTS AND EXCHANGES: THE PROGRESS WE HAVE SEEN IN MOSCOW, WHERE OUR EMBASSY OFFICIALS ARE ENJOYING IMPROVED ACCESS TO SOVIET OFFICIALS, HAS NOT THUS FAR BEEN REFLECTED IN BULGARIA OR CZECHOSLOVAKI'. HUNGARY'S PERFORMANCE IN THIS REGARD HAS BEEN MARKEDLY BETTER BOTH IN TERMS OF ACCESS TO H,GH-LEVEL OFFICIALS AND IN TERMS OF LOWER-LEVEL WORKING CONTACTS. THE FEELING WAS THAT THE CZECHOSLOVAKS' PERFORMANCE IS, IF ANYTHING, WORSE THAN THE BULGARIANS, AT LEAST PARTLY DUE TO THE PERSISTENT FEAR OF MIDDLE AND LOW-LEVEL CZECHOSLOVAK OFFICIALS TO HAVE CONTACTS WITH WESTERNERS, REFLECTING THE CONTINUED EFFECTS OF 1968 AND  
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THE UNCERTAINTIES ASSOCIATED WITH "CONSOLIDATION". IT WAS AGREED THAT WE SHOULD CONTINUE TO PRESS FOR MORE CALLS AND VISITS (PARTICULARLY WITH PARTY OFFICIALS) TO DISCUSS AND CLARIFY OUR BILATERAL PROBLEMS. IN THIS REGARD, THE CULTURAL/EDUCATIONAL SIDE OF OUR EXCHANGE NEGOTIATIONS SHOULD GIVE PRIORITY TO SENDING AND RECEIVING POLITICAL AND ECONOMIC LEADERS. KISSINGER

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